IN THE

Supreme Court of the United States

October Term, 1946

No. 680

CHAMPION SPARK PLUG COMPANY,
a corporation,

Petitioner,

vs.

PETER SANDERS, SAMUEL SANDERS, and HARRY SANDERS, doing business as THE PERFECT RECONDITION SPARK PLUG COMPANY,

Respondents.

ON APPEAL TO THE UNITED STATES CIRCUIT COURT OF APPEALS
FOR THE SECOND CIRCUIT

BRIEF OF RESPONDENTS IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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Statement of the Case.

Respondents are second-hand dealers who collect used spark plugs, and clean and repair them so that they are fit for further use. As in the case of many other second-hand articles, such plugs are discarded by their former owners long before their useful life is exhausted, just because the plugs are fouled with carbon or for some other reason (fol. 1223). Respondents clean off the carbon and restore the spark gap, and sell them on the second-hand market as used and repaired spark plugs, which are known in the trade as "reconditioned" spark plugs (fol. 1130). They are sold

honestly as second-hand articles, and have formed for many years a legitimate article of commerce (fols. 1056, 1069, 895, 896), have built up a good reputation and have been used extensively by owners of fleets of motor vehicles (fol. 1226) and others interested in keeping down costs of operation, as they find the reconditioned plugs, at 20¢ or less each (fol. 1576), a better buy than new plugs at the lofty 70¢ price (fol. 128) petitioner charges for such a simple article.

Petitioner, smarting under this second-hand competition, devised a cunning scheme to get rid of it. Already monopolizing, with two other huge concerns, 100% of the trade in plugs for new cars, and 90% of the balance of sales of new plugs (fols. 1636-1638) petitioner still was not satisfied. Petitioner began suing the reconditioners of spark plugs, claiming trade-mark infringement. The infringement was supposed to consist in the fact that the reconditioned spark plugs, although they functioned as well as new plugs, did not correspond exactly with the factory specifications for new plugs (fol. 1328). Of course, in these reconditioned plugs, as in any other second-hand mechanical device, inevitable changes due to normal wear, or to customary repairs, had made their measurements minutely different from those of new plugs. This necessary fact was no sensational discovery made by the petitioner, but is well understood in the second-hand market, the purchaser being compensated for discrepancies by the difference in price between the new and the reconditioned article. The complete fallacy of the petitioner's argument will be discussed later.

To implement this scheme an injunction was demanded far more drastic than even a real infringement would permit. The second-hand man was to be required not only to remove the trade-marks from the second-hand goods, but even the style or size marks, leaving a bare plug which

would be practically unsaleable. Not only that, but the reconditioner was to take his own property, now bare of any marks of origin, and paint it a lurid and unmerchantable color, and then furthermore mark it "used", etc., not with any ordinary marking device, but with an indentation into the metal, which indentation was to be filled with contrasting paint—an arrangement which required an expensive rolling machine unavailable to small dealers. Lest anyone survive this onslaught, an "accounting" was demanded for the "infringement", to obtain a judgment that would insure the small repair man being run out of business.

In this case, the petitioner succeeded in getting its claims accepted by the District Court, and obtained such a decree, with the exception that no accounting was permitted (pp. 529-531). Both sides appealed, and the Circuit Court made a proper modification. The Circuit Court held that the second-hand dealer had a right to leave the trademarks and style-marks on the used article, even though it was slightly different from a new article due to use and repair (pp. 581-2). The Circuit Court has also held that the respondents here may advertise and sell the reconditioned articles freely, so long as they make it clear to the public that the article is used, and reconditioned by respondents (p. 603). In view of the good faith of the respondents, the Circuit Court, like the District Court, refused any accounting (p. 584), though the Circuit Court held that, to avoid any possible misunderstanding that respondents were the ones who had reconditioned the plugs and who were responsible for their condition, the reconditioners must put their name and address on the plug containers (pp. 580, 584, 603). In short, as long as the reconditioners made the truth clear to the public, the petitioner was not to be permitted to make trouble for the reconditioner.

ARGUMENT OF LAW.

POINT I.

The case has been correctly decided, and no writ should be issued by this Court.

The findings of the District Court, that the reconditioned plugs had been so changed that the trade-marks must be removed, have properly been reversed by the Circuit Court. The evidence is clear that the changes are insufficient to interfere with their functioning. No actual comparative functioning tests were made by petitioner's expert (fol. 811), but comparative engineering tests were made by respondents' experts, and the reconditioned plugs functioned like new plugs (fols. 1177-1181 and 1251-1253). Also, various witnesses testified without contradiction that in practical tests in cars the reconditioned plugs functioned like new plugs (fols. 917, 1147, 1181 and 1248). This shows that the changes are slight and meaningless from any practical point of view, and that the plugs were not even of a different type number, as far as heat range is concerned, from the type number appearing on the plug. The practical viewpoint adopted by the Circuit Court is necessary to a proper judgment, since engineering science only permits a general idea of the type of plug suitable for a particular motor, and even that would vary with driving conditions, so that the selection of precisely the right plug for a particular motor is only accurately determined by the performance of the plug in use (fols. 699, 548, 1182-1185).

For a first ground for the issuance of certiorari, the petitioner claims that this question has never been before this Court—a claim that can stand some correction. The Singer Sewing Machine Company once had a similar ambi-

tion to this petitioner, but failed in the District Court to make the second-hand man take the Singer trade-mark off of used machines, and while the Supreme Court reversed the case on other grounds, it did not disagree with this position.

Singer Mfg. Co. v. *Bent*, 41 Fed. 214, reversed on other grounds, 163 U. S, 205.

The same viewpoint was taken on second-hand typewriters.

Oliver Type. Co. v. *Amer. W. M. Co.*, 156 Fed. 177.

Such decisions, of course are correct on the time-honored principal that equity will not enjoin against telling the truth.

Del. & Had. Canal Co. v. *Clark*, 13 Wall. 311.

A trade-mark is not a copyright, and is may be used by others than the original manufacturer to correctly describe the origin of merchandise.

Prestonettes v. *Coty*, 264 U. S. 369.

The Federal Trade Commission has understood this to be the law and has never required the removal of trade-marks from second-hand goods. There are cases involving second-hand tires, typewriters, etc. in its decisions, and two involving reconditioned spark plugs may be cited:

McGowan and Hall, 15 F. T. C. D. 83;
Federal Auto Parts Co., 20 F. T. C. D. 334.

The same conclusion was reached in the case there against the respondents here, referred to at folio 1316 of this record.

A little confusion was introduced into the law by some cases in Boston. When electric bulbs were patented, and consequently expensive, a business sprang up of replacing burned out filaments by cutting the bulb open, making the replacement, and sealing the bulb again. The manufacturers

sued, claiming that this was a patent infringement. The Court held this was an entire reconstruction of the bulb, and not a repair, and hence an infringement under the well known rule.

Edison El. Lt. Co. v. *Davis Elec. Works*, 58 Fed. 879.

When the patents ran out the manufacturer's smart lawyers got another idea; they sued on the same facts, claiming that the operation was a trade-mark infringement. This was an utterly novel idea, but the District Judge fell for it, and issued an injunction on the theory that the trade-mark was infringed by a reconstruction as distinguished from a repair.

Gen. Elec. Co. v. *Re-Nu Lamp Co.*, 121 Fed 164.

This idea was followed in another case, also in Boston, which is not a precedent here, as it involved no second-hand goods, but involved fraudulent alterations to new goods to make them simulate genuine Radiolite watches, and the alterations substantially impaired the practical functioning of the watches.

Ingersoll v. *Doyle*, 247 Fed. 620 (see record, as foregoing facts do not sufficiently appear in the published opinion).

Based on these Boston cases, the petitioner managed to convince a District Judge in Detroit, and later the Eighth Circuit Court of Appeals, that the trade-marks ought to be taken off reconditioned spark plugs, on the ground that they were not precisely the same as new plugs.

Champion etc, v. *Emener*, 16 Fed. Supp. 816;
Champion etc. v. *Reich*, 121 Fed. (2d) 769.

In both the *Emener* and *Reich* cases it was shown that the reconditioned plugs were dishonestly marketed. The present record is free from any proof or even any claim of fraud against the respondents, who are dealing honestly. The *Emener* and *Reich* cases thus had no application to the case at bar. Likewise the Boston cases had no bearing, for here we have only repair as distinguished from reconstruction, and the functioning of the article is not impaired. Where new parts dominate the structural substance, the article is reconstructed; where the original parts preponderate over new parts, it is only repair.

Automotive J. Co. v. *W. A. Co.*, 81 Fed. (2d) 125 (C. C. A. 8th).

It is thus clear that the law did not support the petitioner's position in this case.

A further ground existed affirmatively for refusing to entertain petitioner's suit. The petitioner's claims were against public policy. In the 78th Congress the manufacturers had introduced the so-called *Lanham Trade Mark Bill*. *Section 32* of this Bill had sought to give manufacturers the same rights against second-hand men, concerning removal of trade-marks, etc., as those claimed by the petitioner here. Opposition was presented by the Department of Justice in the Senate Committee on Patents. The Department claimed that the provision was an unprecedented grant of power, would further concentrate control in the hands of large manufacturers, and enable them to seriously embarrass if not prohibit the sale of their second-hand product. The standards of present law, the Department claimed, are met so long as the second-hand sellers make known the nature of the product they are selling and do not misrepresent its origin and the fact of reconditioning if such has occurred.

Similar criticism was voiced in various law review articles about the proposed Trade Mark Bill. The Senate Committee held plenty of hearings and gave everybody a chance to talk, and then gave this *section 32* the old heave-ho. It was entirely deleted from the bill as reported to the Senate. It failed of passage, being near to the end of the session, and when the new Bill was introduced in the 79th Congress, the offending section was deleted. The amended or "reconditioned" Bill passed the House on Feb. 26, 1945, and went to the Senate Committee on Patents, where, according to the reports of my spies, it remained until the end of the session.

In addition to general considerations, this specific legislative history indicates that the petitioner's claim is legally unsound and contrary to public policy. Equity will not issue injunctions contrary to the public interest.

> *Morton Salt Co.* v. *Suppiger*, 314 U. S. 488;
> *Mercoid Corp.* v. *Mid-Continent Inv. Co.*, 320 U. S. 661.

Finally I should add that, irrespective of the fact that there was no infringement, an accounting was properly denied the petitioner. The ground mentioned is that the respondents had endeavored to comply with the Federal Trade Commission instructions, which I suppose is equivalent to saying that the respondents had acted in good faith. Where defendant acted in good faith, no accounting will be decreed, as the matter is discretionary with the Court.

> *Saxlehner* v. *Siegel Cooper Co.*, 179 U. S. 42;
> *Strauss* v. *Notaseme Co.*, 240 U. S. 179.

The fact that the respondents are only a small concern, the petitioner waited fifteen years before bringing suit, and no actual damages have been shown to petitioner, are additional reasons to bar any such accounting.

POINT II.

There is no conflict of the circuits to justify a writ of certiorari by this Court.

As has been previously pointed out, in the Eighth Circuit decision in the *Reich* case, there was proof of fraud on the part of the reconditioner. His dealers were selling the reconditioned plugs as new plugs, and Reich himself had given the public the impression, deliberately, that the plugs were reconditioned at the plaintiff's factory. Not the slightest proof of fraud appears in the case at bar.

Furthermore, the findings of fact in the two circuits are entirely different in the two cases. In the Eighth Circuit the District Court held, and *the finding was not appealed*, that:

> "13. Defendant . . . does not . . . restore his said spark plugs to their original condition and they could not then and cannot now truthfully be referred to as 'reconditioned' plugs nor as 'Champion' plugs of the type number originally marked thereon by plaintiff.
>
> 14. The spark plugs which Defendant advertised and sold as 'Reconditioned' Champion spark plugs . . . have been so changed in functional features from their original dimensions . . . that they . . . are in fact no longer 'Champion' spark plugs . . ."

The Circuit Court for the Eighth Circuit then said that *in view of the findings* the plaintiff was entitled to the injunction.

In the case at bar, on the other hand, the Second Circuit Court findings were (p. 579):

> "The finding of the Trial Judge, that the reconditioned plugs were so altered that they could not properly be sold with the trade mark 'Champion' on them, was without substantial basis."

and also (p. 581):

> "The changes in the original spark plugs made by reconditioning them are slight to the eye and the evidence demonstrates that the defendants' articles work well, perform a useful service and that any changes in the heat range caused by wear or reconditioning are theoretical and in practice unimportant. Aside from the slight changes in the insulation and the electrodes the defendants' plugs are completely of the plaintiff's well-known manufacture."

Clearly it cannot be said that there is legal conflict between the two circuits when they are talking about entirely different states of fact. There is therefore, no showing of direct clash of legal theory, and no basis has been shown for the issuance of the writ of certiorari in this case, which was correctly decided by the Second Circuit Court of Appeals.

Respectfully submitted,

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